and it is at present being used for the censuses of Cuba and Porto Rico taken under the supervision of the War Department.

The shortness of the time allowed for the completion of the reports will probably make it impractical to introduce any very extensive modifications in the method of presentation. Enumeration commences June 1, 1900, and the four volumes dealing with population, mortality, agriculture, and manufactures must, according to the terms of the law, be published by July 1, 1902. Persons having a practical acquaintance with the work of converting the raw material supplied by schedules into finished tables accompanied with explanatory text will appreciate how short a time two years is for the accomplishment of such a task; others may recollect how much more time was consumed by the Eleventh Census in doing the same work. Under the circumstances every effort must be bent to expediting the publication of the four volumes as the law directs. However when this has been accomplished the Census Office may be able to undertake some further analysis of the material in its keeping. How much can be done in this way is of course undetermined as yet; but as one example of the kind of work which the Census Office desires to do may be mentioned the plan to tabulate the data regarding population with the family, instead of the individual, as the unit. Another possibility is the preparation of a special study of age returns with an attempt at their correction. That such work would add greatly to the scientific value of the census, and that to at a comparatively small extra cost, is clear. But for it the public must wait until the regular reports are finished.

WESLEY C. MITCHELL.

TRUSTS, THE MARGINAL PRODUCER AND PRICES.

RICARDO is responsible for many theories, orthodox and otherwise, in the realm of Economics. The Socialists drew from his writings the fundamentals of their doctrine of value and the "iron law of wages." Now comes a knight of concentration and declares that the modern combination is helpless to raise prices.[1] The argument for this last statement is Ricardian as will be recognized when developed in the next few sentences. It is as follows: so long as a combination cannot furnish the supply of commodities to meet the demand, the remaining

[1] GEORGE GUNTON in a lecture in New York City, March 3, 1900.

part must be provided by what are called independent producers. If the independent producers manufacture this supply a price sufficient to remunerate them must be paid. No option is left to the consumer in the matter. If the price is not paid the amount is not forthcoming. This statement may be illustrated by reference to two of the larger trusts, the Standard Oil Company and the American Sugar Company. It is said that the two concerns control about 80 per cent. of the commodities, oil and sugar. The remaining twenty is therefore supplied by independent producers. In good years everybody, large and small producers, has an opportunity to sell his products. There is then a large profit for some, a fair one for others, and a still smaller amount for a third group. The difference in each case is limited by the producing ability of each group. When all the producers are needed to furnish the supply wanted by the consumer the latter must pay not what it costs the trusts, but what it costs the man who is producing under the greatest disadvantage. It is this cost which makes the price and, barring freight charges and shipping expenses, is the same throughout the market. If the trust can produce below this cost to the marginal producer it secures a profit which will vary with the ability of the organization to manufacture at a lower cost. The trust, therefore makes a profit because of economies in production and management. This to the mind of the writer is a somewhat perverted use of an old theory.

The marginal producer theory was not advanced at the time of its inception as an explanation of present methods of manufacture and production. It was on the contrary presented as a solution of certain phenomena found in a "freely reproducible goods" society. The question then is on the ability of a so-called trust to raise prices. Perusal of the various trust investigations proves beyond a reasonable doubt the power a combination has over prices. Thus in the report of the Joint Committee of the New York Senate and Assembly appointed to investigate trusts (p. 27), the statement is made that "the 'equality rate plan' of the Sugar Trust permits the combination to fix the price not only of its own product but of all refined sugars of every manufacture absolutely and with mathematical certainty; and the system is refined to such a nicety that prices on the Mississippi must, within one hour, respond to the arbitrary decision of the combination here." The report goes farther and says, "An organization of this kind holds its products at a fixed price without regard to the tendency of prices and in times of depression to maintain an arbitrary and fixed price." The

theory of the marginal producer does not explain adequately the relation of a combination to the question of prices.

Returning to this Ricardian device the natural question rises, what influence does the marginal producer have upon price? I make bold to say that in a so-called "scarcity goods" society, as ours is today, the marginal producer is a resultant of price rather than a determinant of it. General Walker used the theory to explain that profits were in their nature rent. It is well known that profits and rent are price determined and not price determining. The producer gets a profit because he gets within the price. But to day the combination has two policies — lower the expense of producing and raise the price if possible. As soon as the field of production is arbitrarily limited, the theory of the marginal producer does not adequately explain the phenomenon of prices.

The policy of every trust is to maintain a monopoly price which when analyzed appears to be that rate which will sell the largest quantity and bring to the coffers of the organization the greatest income. This is the point toward which any combination under the guidance of a long sighted policy naturally gravitates. But as the price reaches this point, the competitor becomes a member of the combination, and the so-called marginal producer ceases to compete. Where a trust for reasons of its own increases the price, the marginal producer again makes his appearance. He is simply a chip on the tide of production and not the determinant of price. In a "freely reproducible goods society" the marginal producer may have been a factor in determining the price, but today he comes in the market only because the price is high enough for him to do so, and not because the consumer needs an amount which the trust cannot supply if necessary.

General Walker framed the marginal producer theory as clearly as any economist. In one place he says: "The price of manufactured goods of any particular description is determined by the cost of production of that portion of the supply which is produced at the greatest disadvantage."[1] But in another, as though in doubt of such a wide statement, he again says: "But while market price must always measure the utility of the commodity to the last purchaser, that is, the person to whom it is just worth while to buy at that price, market price does not always measure the efforts and abstinence of the last producer, that is the person producing under the greatest disadvantage; to whom, therefore it is only just worth while to produce at that price. It is in this

[1] WALKER, *Political Economy*, p. 240.

latter respect that market price differs from normal price."[1] General Walker is here talking about normal price in a normal market and in a "freely reproducible goods society." These are things that do not now exist as has already been shown. It seems therefore, that there are other factors in the question of price than the marginal producer. In all of this the consumer is hardly recognized as having any part in the determination of prices. May we not say with Mr. Macfarlane, that the utility of the commodity to the producer and consumer sets the limits within which the price is determined.[2] The monopoly strength of the consumer, or the producer then fixes the final price within limits established by the utility of the commodity to the two sides of the market. And in so far as it does settle the price the marginal producer may come within the field of production. A combination with a monopoly position can therefore determine the price within the limits referred to above.

The relation of the trust to price is not then to be settled by a theory made for other times and conditions. We are in a period of monopoly and trust control, the occasion and time demand a new analysis. There is no intention to discuss here the trust as a producing agency. Undoubtedly it has come to stay, but if this be so then an early recognition of the new conditions produced by it, will make the problem easier to solve. The doctrines of a competitive society must be readapted to this later phase of organization.

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THE INHERITANCE TAX DECISION.

THE decision of the supreme court upon the constitutionality of the inheritance tax imposed by the Internal Revenue law of June 13, 1898, was handed down May 14.[3] The grounds of objection to the

[1] *Ibid.*, p. 101. [2] C. W. MACFARLANE, *Value and Distribution*, p. 67.

[3] *Knowlton et al.* vs. *Moore*, October term 1899, No. 387. The text of the law in question is as follows:

SEC. 29. That any person or persons having in charge or trust as administrators, executors, or trustees, any legacies or distributive shares arising from personal property, where the whole amount of such personal property as aforesaid shall exceed the sum of $10,000 in actual value, passing, after the passage of this act, from any person possessed of such property, either by will or by the intestate laws of any state or territory, or any personal property or interest therein, transferred by deed, grant, bargain, sale, or gift, made or intended to take effect in possession or enjoyment after